

Message Text

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62

ACTION ARA-10

INFO OCT-01 ISO-00 NEA-06 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-01 PA-01 USIA-06 PRS-01 FEA-01 /084 W

----- 027506

R 111730Z DEC 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 6830

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L BRASILIA 9290

E.O. 11652: GDS

TAGS: EFIN, BR

SUBJECT: BRAZIL'S BALANCE OF PAYMENTS

REF: BRASILIA 8559; BRASILIA 9036

1. DURING LUNCHEON WITH ECONOMIC COUNSELOR AND FINANCIAL ATTACHE ON DECEMBER 10, EDESIO FERREIRA, CHIEF, RESEARCH DIVISION, CENTRAL BANK OF BRAZIL, SHOWED US IN HOUSE TABULATION ON BRAZIL'S BALANCE OF PAYMENTS OUTCOME DURING JANUARY/OCTOBER 1974. THE FIGURES INDICATED THAT THE OVERALL BALANCE DURING THE FIRST TEN MONTHS WAS IN DEFICIT BY \$1.1 BILLION. WITH RESPECT TO CAPITAL INFLOWS, GROSS FINANCIAL FLOWS (FOREIGN BANK LOANS) AMOUNTED TO \$4.3 BILLION, GROSS IMPORT FINANCING (SUPPLIERS' CREDITS) \$1.3 BILLION AND FOREIGN DIRECT INVESTMENTS \$800 MILLION. THE RESULTS OF THE FIRST TEN MONTHS ARE IN LINE WITH EMBASSY'S EXPECTATIONS AS PREVIOUSLY REPORTED (SEE REFTELS).

2. COMMENT: EDESIO FERRIRA WAS VERY OPTIMISTIC ABOUT THE REST OF THE YEAR (SAYING THAT FINANCIAL FLOWS

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COULD REACH \$6.0 BILLION) AND DID NOT VIEW 1975

WITH GREAT PESSIMISM. HE CLAIMED THAT FOLLOWING THE CAMPOS
OIL STRIKE THE RATE OF NEW FINANCIAL INFLOWS
PICKED UP AND THAT DURING 1975 BRAZIL EXPECTS TO GET
SUBSTANTIAL AMOUNTS OF ARAB MONEY IN THE FORM OF DIRECT
INVESTMENT. HE THOUGHT TOTAL GROSS DIRECT INVESTMENTS
NEXT YEAR COULD REACH AS MUCH AS \$2.0 BILLION AS A
RESULT OF ARAB MONEY FLOWS TO FINANCE BRAZILIAN
PROJECTS. THERE HAVE BEEN NEWSPAPER REPORTS THIS WEEK
SAYING THAT BRAZIL IS NEGOTIATING A \$1 BILLION GOVERN-
MENT-TO-GOVERNMENT LINE OF CREDIT WITH ARAB GOVERNMENTS
(KUWAIT AND SAUDI ARABIA ARE BEING CITED) TO FINANCE
OIL IMPORTS IN 1975.
JOHNSON

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30 JUN 2005

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